

IMPERIAL COUNTY ASSESSMENT PRACTICES SURVEY

MAY 2002

CALIFORNIA STATE BOARD OF EQUALIZATION

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May 17, 2002

TO COUNTY ASSESSORS:

IMPERIAL COUNTY ASSESSMENT PRACTICES SURVEY

2002/032

A copy of the Imperial County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Jose M. Rodriguez, Jr., Imperial County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, the assessor's response, and the BOE's comments regarding the assessor's response constitute the final survey report which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Imperial County Board of Supervisors, and Grand Jury.

The BOE's County Property Tax Division performed fieldwork for this survey of the Imperial County Assessor's Office from September through December 2000. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank Mr. Rodriguez and his staff for their cooperation and patience during this assessment practices survey.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share with us your questions, comments, and suggestions for improvement.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property Taxes Department

DJG:jm
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues is used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to address those interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Imperial County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports.

The assessor is required to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, the Imperial County Grand Jury, and the Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Jose M. Rodriguez, Jr., Imperial County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the BOE's survey team.

In addition, Revenue and Taxation Code section 75.60¹ requires the BOE to determine whether the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

Our survey of the Imperial County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Imperial County with information relevant to the property tax assessment program.

This survey also included an assessment sample of the 2000 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative costs of processing supplemental assessments. The sampling program is described in detail in Appendix B.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment.

¹ All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the assessor's operations. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey.

- The Imperial County Assessor's budget for 1999-2000 was \$1,107,427, which funded 24 positions. The total value of the secured and unsecured assessment rolls was \$5.8 billion. There were 76,000 appraisal units in Imperial County.
- At the time of our fieldwork, the assessor had not participated in the State-County Property Tax Administration Loan Program.
- Although the assessor has made substantial improvements in the level of automation and computer systems being used in the office, the office is without a formal written procedures manual. Quality control standards are informal but appear to be reasonably effective.
- The assessment appeals function is administered effectively.
- Three recommendations address disaster relief policies: (1) the assessor should review disaster relief value calculations to ensure that the assessed value reduction totals no more than the value of the actual loss, (2) the current disaster relief notice does not contain all of the information required by statute, and (3) the assessor should include the month of damage when calculating the disaster relief value.
- Roll corrections and exemptions are administered effectively.
- The assessor should develop written procedures for the decline-in-value assessment program.
- New construction discovery and assessment are administered effectively.
- Annual decline-in-value reviews are approximately two years behind schedule.
- The supplemental assessment program is in compliance with all statutory provisions.
- Possessory interest assessment procedures are the subjects of two recommendations: (1) possessory interests should be reappraised only upon a change in ownership or the termination of the reasonably anticipated term of possession, and (2) written procedures for the administration of the possessory interest program should be developed.
- The assessor sometimes grants an additional year of exemption for new trees, beyond the four years authorized by the California Constitution and rule 131.²

² All references to rules refer to Title 18, California Code of Regulations.

- Some perennial crops escape assessment and are misclassified.
- The assessor should improve the coordination of apartment personal property assessments between his real property and personal property divisions. In contrast, the two divisions communicate effectively to ensure proper assessment of commercial and industrial tenant improvements.
- Manufactured homes should be reviewed for declines in value on a regular basis, and we suggest the assessor undertake special efforts to ensure that special districts do not levy special assessments on manufactured homes.
- Pipeline rights-of-way are assessed pursuant to statutory guidelines.
- The business property division should review the direct billing program and include only those businesses with historically stable property holdings in the program.
- The assessor's mandatory audit program is not current.
- The assessor should obtain signed waivers of the statute of limitations when an audit will not be completed on time.
- The nonmandatory audit program should be expanded to include chronic nonfilers of property statements.
- The exemption status of historical aircraft should be reviewed.
- The Imperial County assessment roll meets the requirements for assessment quality established by section 75.60. Our sample of the 2000 assessment roll indicated an average assessment ratio of 97.51 percent, and the sum of the absolute differences from the required assessment level was 3.02 percent. Accordingly, the BOE certifies that Imperial County is eligible to continue receiving reimbursement of costs associated with administering supplemental assessments.

Here is a list of formal recommendations contained in this report, arranged in the order they appear in the text.

RECOMMENDATION 1:	Limit disaster relief to no more than the value of the actual damage pursuant to section 170(b).....	10
RECOMMENDATION 2:	Revise the disaster relief notice to include the information required by section 170(c).....	10
RECOMMENDATION 3:	When processing disaster relief claims, include the month of damage when calculating the new assessed value, as required by section 170(e).	11
RECOMMENDATION 4:	Develop and implement a written policy for making cash equivalent adjustments.....	14

RECOMMENDATION 5:	Develop written procedures for the decline-in-value program.	16
RECOMMENDATION 6:	Annually review all parcels that have experienced a decline in value, as required by section 51.....	16
RECOMMENDATION 7:	Enroll and classify perennial crops as land.	17
RECOMMENDATION 8:	Do not extend the exemption period for trees and vines beyond the period provided by law.	17
RECOMMENDATION 9:	Do not reappraise a taxable possessory interest based on a renewal or extension until the end of the reasonably anticipated term of possession used to value that possessory interest, as required by section 61.	18
RECOMMENDATION 10:	Develop written procedures for the possessory interest assessment program.	19
RECOMMENDATION 11:	Enroll leach pads, tailing facilities, and settling ponds as separate appraisal units as required by law.	20
RECOMMENDATION 12:	Review accounts in the current direct billing program and include only those accounts that have historically reported stable values in the program.	22
RECOMMENDATION 13:	Bring the mandatory audit program to current status.	23
RECOMMENDATION 14:	Prioritize those mandatory audit accounts where the property owners refuse to sign waivers of the statute of limitations.	23
RECOMMENDATION 15:	Expand the nonmandatory audit program to include chronic nonfiling taxpayers and other businesses.	24
RECOMMENDATION 16:	Use the appropriate percent good factors for new and used agricultural equipment.....	24
RECOMMENDATION 17:	Annually review manufactured home values to identify declines in value.	25
RECOMMENDATION 18:	Improve the coordination of apartment personal property assessments between the real property and business property divisions.	26
RECOMMENDATION 19:	Review the exemption status of historical aircraft.	27

RESULTS OF THE 1996 SURVEY

New Construction

The assessor was not issuing supplemental assessments for newly constructed leasehold improvements classified as structures. We found the assessor now enrolls supplemental assessments on such newly constructed leasehold improvements.

Manufactured Homes

A two-part recommendation addressed manufactured home assessment procedures. First, we recommended the assessor enroll owner-added accessories to manufactured homes subject to the vehicle license fee. Secondly, we recommended the assessor calculate the factored base year values for manufactured homes. The assessor now enrolls owner-added accessories to and calculates new factored base year values for manufactured homes.

Taxable Possessory Interests

Possessory interest appraisal practices were the topic of a four-part recommendation. The assessor was (1) incorrectly and automatically reducing the anticipated term of possession for possessory interests, (2) using unreasonably short terms of possession for possessory interests at the fairgrounds and county airport, (3) failing to assess all possessory interests at the fairgrounds, and (4) failing to add the present worth of contract rents to the reported sales prices of cabins on government-owned lands. During our current survey, we found the assessor implemented the latter three parts of this recommendation. The BOE is currently reviewing the issue of when terms of possession should be reduced.

Water Utility Property

We recommended the assessor review parcels owned by mutual water utilities to determine whether they should be assigned a zero or token value. We found that he has implemented this recommendation.

Low-Value Property Exemption

We recommended that the assessor petition the board of supervisors to enact a low-value property exemption ordinance. We have since determined that the BOE does not have the authority to direct a county to adopt a low-value property exemption ordinance; that recommendation no longer applies.

Business Property Valuation

We recommended the assessor value and classify fixtures consistently, regardless of whether the property is enrolled on the secured or unsecured roll. We found that the assessor has implemented this recommendation.

Vessels

We recommended that the assessor revise his vessel forms to comply with statutory requirements. The assessor has implemented this recommendation and now uses the BOE-prescribed form.

OVERVIEW OF THE IMPERIAL COUNTY ASSESSOR'S OFFICE

Budget and Workload

For fiscal year 1999-2000 the assessor operated on a budget of \$1,107,427. The assessor has a staff of 24 employees.

The total assessed value of the 2000 assessment roll was approximately \$5.8 billion, including both the secured and unsecured rolls. The assessment roll consisted of over 76,000 units—70,665 units on the secured roll and the balance on the unsecured roll.

Experiencing nearly 100 percent turnover of his appraisal staff—and a 25 percent turnover of his clerical staff—the assessor has managed to produce recent assessment rolls timely despite heavy staff turnover over the last two years.

Assessment Roll by Property Type

The following chart displays pertinent information from the 2000 assessment roll. This information was obtained from a review of summary roll reports generated by the assessor's computer system.

<u>Property Type</u>	<u>Number of Assessments in County</u>	<u>Enrolled Values</u>
Residential	25,282	
Commercial	4,278	
Industrial	992	
Agricultural	6,136	
Desert Parcels, Vacant Residential Lots, Other	<u>33,977</u>	
Total Secured Roll	70,665	\$5,009,361,244
Total Unsecured Roll (personal property except manufactured homes)	<u>5,804</u>	<u>\$ 779,442,278</u>
Total Roll	<u>76,469</u>	<u>\$5,788,803,522</u>

ADMINISTRATION

This portion of the survey report focuses on the administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. We examined the preparation and presentation of assessment appeals, disaster relief, the assessor's participation in the State-County Property Tax Administration Loan Program, changes to the completed assessment roll, low-value property exemption, and church, religious, and welfare exemptions.

Assessment Appeals

The assessment appeals function is mandated by article XIII, section 16, of the California Constitution. Sections 1601 through 1641.2 are the statutory authorities that govern county boards of supervisors in the appeals function. In addition, Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern local boards of equalization. Pursuant to that mandate, the BOE adopted rules 301 through 326 regarding assessment appeals.

A review of the appeals function involves both the activities of the assessor's office and the activities of the local board of equalization or county assessment appeals board as they relate to assessment appeals. The two agencies must have a good working relationship in order to make the entire appeals process effective and efficient, particularly in the areas of hearing schedules and document processing. However, at the same time, the agencies must maintain the statutory separation of authority and responsibilities. The following table displays how assessment appeals were resolved during recent assessment years.

Roll Year	Appeals Resolved	Method of Resolution						
		AAB Cases Heard			Denied for Lack of Appearance	Stipulation	Invalid	Withdrawn
		Reduced	Sustained	Increased				
98-99	118	0	11	0	0	55	23	29
97-98	129	0	12	0	0	35	12	70
96-97	205	3	0	0	6	55	4	137
95-96	122	2	1	0	0	53	1	65

Note: No data was available for the 1999-2000 assessment year.

We reviewed the preparation for several assessment appeals as part of our research. We found that the assessor administers his assessment appeals program competently.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to assessees whose properties have been damaged or destroyed through no fault of the assessees. The ordinance may apply to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the governor, as well as to any other misfortune or calamity. The ordinance may specify a period of time within which the ordinance shall be effective, or it may remain in effect until repealed.

To obtain disaster relief, an assessee must make a written application to the assessor requesting reassessment within 60 days of the misfortune or calamity. However, if no application is made and if the assessor becomes aware of a property damaged by misfortune or calamity within the previous six months, the assessor may either provide the last known assessee with an application for reassessment or revalue the property with the approval of the board of supervisors.

The Imperial County Board of Supervisors adopted Ordinance #529 in January 1975 to provide for disaster relief. The board amended this ordinance in February 1977, (Ordinance #603). The assessor discovers calamities through building permits, newspaper articles, and other media, as well as fire reports, taxpayer reports, field canvassing, and inspections.

For the 1999-2000 roll year, the assessor received 20 applications for disaster relief. Ten applicants were granted relief, but nine applicants were denied relief because their damages did not meet the minimum qualifying amount of five thousand dollars (\$5,000) or because their applications were not filed in a timely manner. One application was filed with respect to a property that was already tax-exempt.

RECOMMENDATION 1: Limit disaster relief to no more than the value of the actual damage pursuant to section 170(b).

We found two properties that were granted disaster relief greater than the actual value of the damage. Section 170(b) provides, in part, that "[T]he amount of the reduction shall not exceed the actual loss." This section limits the property tax relief to an amount not greater than the value of the actual damage, regardless of the assessed value. By granting disaster relief in an amount greater than the actual damage, the assessor has underassessed those properties.

We recommend the assessor review disaster relief value calculations to ensure that the assessed value reduction totals no more than the value of the actual loss.

RECOMMENDATION 2: Revise the disaster relief notice to include the information required by section 170(c).

When granting disaster relief, the assessor notifies taxpayers by sending a *Notice of Supplemental Assessment*, along with a letter of explanation. While the letter contains information concerning base year value appeals, it lacks the assessment appeal language specific to reassessments resulting from disaster relief.

Section 170(c) requires that, "The notice shall state that the applicant may appeal the proposed reassessment to the local board of equalization within 14 days of the date of mailing the notice."

We recommend that the assessor amend his *Notice of Supplemental Assessment* to include the information required by statute.

RECOMMENDATION 3: When processing disaster relief claims, include the month of damage when calculating the new assessed value, as required by section 170(e).

When granting disaster relief, the assessor prorates the amount of relief starting the first month after the occurrence of the calamity. However, section 170(e) provides that the prorated taxes are "to be determined on the basis of the number of months in the fiscal year after the damage or destruction, including the month in which the damage was incurred."

We recommend that the assessor comply with section 170(e) by including disaster relief for the month in which the damage was incurred.

State-County Property Tax Administration Loan Program

Imperial County did not participate in the State-County Property Tax Administration Loan Program (PTAP) at the time of our fieldwork. We found that the previous assessor chose not to pursue PTAP funding, relying primarily on the budget supplied by the Imperial County Board of Supervisors. However, the current assessor has prepared and submitted a PTAP application to the State Department of Finance. Under the guidelines in section 95.31, Imperial County is eligible for up to \$231,673 in annual PTAP funding.

Roll Change Procedures

Roll changes occur when the assessor changes assessed values after the assessment roll has been turned over to the county auditor. After the roll is delivered to the auditor, changes may be made, with a few exceptions, any time within four years of the date of the assessment that is being corrected. Roll changes are authorized for a variety of reasons by sections 531, 4831, and 4831.5. The most typical roll changes result from escaped new construction, clerical errors, and current market values that are less than factored base year values.

For the 1999-2000 roll year, the assessor processed 722 roll corrections. We reviewed 24 roll corrections. All of the assessor's roll change procedures we reviewed comply with statutory requirements.

Low-Value Property Exemption

The Imperial County Board of Supervisors has not adopted a low-value property exemption ordinance or resolution. The county has a large number of low-value real property parcels with significant special assessments. Since eliminating these parcels from the roll would have an adverse fiscal impact on several jurisdictions in the county, the county determined that a low-value property exemption ordinance was inappropriate. We found that the assessor properly enrolls low-value property.

Exemptions

The California Constitution exempts certain types of property from property taxation, and authorizes the Legislature to exempt other types of property. Major exemption programs include the church, religious, welfare, homeowners', and disabled veterans' exemptions. The assessor administers most of these exemption programs locally. The welfare exemption program is administrated jointly by the BOE and county assessors.

We reviewed the assessor's exemption programs and found them to be administered properly.

ASSESSMENT OF REAL PROPERTY

The assessor's real property assessment program includes (1) revaluation of properties that have changed ownership, (2) valuation of assessable new construction, (3) annual review of properties having market values below their factored base year values, and (4) review of certain properties subject to special assessment provisions.

Change in Ownership

One of the assessor's duties is to identify and value real property that has changed ownership. Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest.

Sections 62 through 69.5 exclude certain transfers from the definition of change in ownership. Exclusions include, but are not limited to, interspousal transfers, qualifying transfers between parents and children, and property acquired as a replacement for property taken by eminent domain.

Most often, the assessor learns of a change in ownership when a deed is recorded at the county recorder's office. The assessor reviews each recorded deed to discover changes in ownership that trigger new base year values. For the 1999-2000 assessment year, the assessor reviewed 5,311 recorded documents. Of these, the assessor determined 4,414 documents represented reappraisable changes in ownership.

PCOR/COS Processing

In addition to the recorded deeds, the county recorder transmits the Preliminary Change in Ownership Reports (PCOR's) filed with the recorded deeds to the assessor. Section 480 requires transferees of locally-assessed real property to file a PCOR or Change in Ownership Statement (COS) with the county recorder or assessor. Section 482 also provides for a penalty upon the failure to file a COS after a written request by the assessor. For assessment year 1999, there were 252 COS's processed, with only one penalty applied for noncompliance. For 1998, there were two noncompliance penalties, and during 1997 there were no noncompliance penalties.

Cash Equivalent Adjustment

Section 110 defines fair market value in terms of "cash or its equivalent." Rule 4 provides that when using sales prices of the subject or comparable properties for the purpose of valuation, the appraiser shall adjust those purchase prices to reflect amounts equivalent to cash. A cash equivalent adjustment may be required for sales involving (1) assumed loans or new loans (e.g., promissory notes) that reflect non-market or atypical financing terms; (2) seller-paid loan points paid to a third party (e.g., an institutional lender) as part of the buyer's financing; and (3) any tangible property that the seller accepted in lieu of cash as full or partial consideration.

RECOMMENDATION 4: Develop and implement a written policy for making cash equivalent adjustments.

The assessor does not have a formal written policy or procedure for making cash equivalent adjustments. These adjustments are made by the appraisers when the evidence dictates.

After such a policy is implemented, periodic reviews by a designated member of the appraisal staff should be made to ensure that such cash equivalency adjustments are made in compliance with applicable laws.

Legal Entity Ownership Program

Section 64(c) provides that a change in control of a legal entity is a change in ownership of all real property owned by that legal entity, as of the date of the change in control. In that instance, the real property owned by the legal entity is subject to reappraisal. The Legal Entity Ownership Program (LEOP) of the BOE's Policy, Planning, and Standards Division assists assessors in the discovery of legal entities that have experienced changes in control.

Each reported change in control is investigated and verified by the LEOP staff. The LEOP unit periodically transmits a list of such entities to each county indicating the date of each change in control and the affected parcels within that county.

We reviewed 15 appraisal records of properties listed in recent LEOP reports. The assessor had reappraised all parcels shortly after notification by the LEOP unit. Appraisal records were properly documented for the reported changes in control.

Parent/Child and Grandparent/Grandchild Transfers

Section 63.1 excludes from the definition of "change in ownership" the purchase or transfer, on or after November 6, 1986, of the principal residence and the first \$1 million of other real property between parents and children, upon submission of a timely claim. In 1996, the voters modified this definition to include qualifying purchases or transfers between grandparents and their grandchild or grandchildren occurring on or after March 27, 1996.

During 1999, the assessor processed 1,098 Parent/Child exclusion claims with an approval rate of approximately 80 percent. We found the assessor's procedures for handling Parent/Child exclusion claims to be entirely consistent with the law and all BOE recommendations. Our review of the claims and other related documents for this program found that claims are carefully reviewed and processed by the assessor.

Section 408.1 Transfer Listing

As required by section 408.1, the assessor maintains a two-year transfer list that contains those data elements listed within that section. As permitted by section 408.1(d), the assessor charges a \$10 fee for use of the transfer list.

New Construction

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, or on each lien date while construction is in progress. Like most counties, the assessor discovers most new construction activity from the building permits issued by various government agencies. The assessor reviewed 2,026 building permits during the 1999-2000 assessment year. Other discovery methods include reviewing aerial photographs, news reports, and conducting field inspections. In addition, new construction activity was discovered while performing fieldwork and through information contained on the business property statements.

We found that the assessor has an effective new construction assessment program.

Decline in Value

Section 51 requires the assessor to value taxable real property at the lesser of its factored base year value or the current market value, as defined in section 110. Whenever a property's current market value declines below its factored base year value for any reason, that lower value must be enrolled as the taxable value for the year or years of the decline. Any assessment enrolled as a decline in value requires annual review until the property's current market value exceeds the factored base year value. The factored base year value is then restored as the taxable value.

Although not required by law to reappraise every property annually, most assessors make a concerted effort to monitor market trends and individual property situations in order to recognize value declines. Until recently, overall property values in California had been declining. As a result, most assessors' offices were overwhelmed with appeals from taxpayers who believed their properties had experienced declines in value.

For the 2000 assessment roll, the assessor enrolled approximately 21,000 parcels as declines in value. This relatively large number of decline-in-value assessments is largely due to the loss in market value suffered by vacant residential lots in the Salton Sea area. While the assessor appears to be conscientious in his administration of the decline-in-value program, we found several areas where improvements could be made.

RECOMMENDATION 5: Develop written procedures for the decline-in-value program.

We found inconsistencies in the assessment of vacant lots in the Salton Sea area. Most of the vacant residential lots in this market area were assessed at \$1,000 for the 2000 assessment roll, which was substantially less than their factored base year values. However, lots that sold during 1997 and 1998 were assessed for the 2000 assessment roll at their factored base year values, which ranged from \$1,058 to \$1,246.

It is highly unlikely that the market values of these properties are increasing in value while the market values of other very similar properties are stable or decreasing. To promote consistency in the decline-in-value program, we recommend the assessor develop and implement written policies and procedures for that program.

RECOMMENDATION 6: Annually review all parcels that have experienced a decline in value, as required by section 51.

We found the assessor does not perform annual reviews of all parcels with decline in value assessments. The assessor is approximately two years behind in those reviews for some areas. Several areas received their most recent review prior to 1998.

Section 51 requires the assessor to enroll properties at the lesser of their market value or factored base year value. Section 51(e) provides further that nothing in that section shall be construed to require the assessor to make an annual reappraisal of all assessable property. However, that subdivision also requires the assessor to perform an annual review of all properties with assessed values that have been reduced to reflect declines in value below the factored base year values. We recommend that the assessor comply with statutory requirements by annually reviewing those properties receiving decline-in-value assessments.

Supplemental Assessments

Sections 75, et seq., require the assessor to appraise property at its full cash value on the date property changes ownership or upon the completion of new construction and to issue a supplemental assessment. The increase or decrease in assessed value is reflected in a prorated assessment (the supplemental roll) that covers the portion of the fiscal year remaining after the date of change in ownership or completion of new construction. For changes in ownership or completed new construction occurring between the lien date and May 31, two supplemental assessments are issued. The first covers the portion of the current fiscal year remaining after the assessable event; the second covers the ensuing fiscal year in its entirety.

We reviewed a number of supplemental assessments and noted that the prorations, assessments, time periods, and ownership tracking were done appropriately. The assessor has a good system for processing supplemental assessments. We found the assessor's supplemental assessment program meets the requirements of the Revenue and Taxation Code.

Agricultural Property

Agriculture is the foundation of Imperial County's economy; the county is home to approximately 560 farms covering a total area of approximately 490,000 acres. The Imperial Irrigation District provides water to these farms from the Colorado River via an elaborate system of canals. The major agricultural commodities (in order of dollar value) are cattle, alfalfa, lettuce, and carrots. There are no California Land Conservation Act (CLCA) properties in Imperial County. While the assessor's agricultural appraisal program is operating effectively, we note that the following areas need improvement.

RECOMMENDATION 7: Enroll and classify perennial crops as land.

We found that the assessor does not enroll newly planted asparagus. During our review of agricultural property records, we found two parcels where asparagus was planted after a recent sale and the assessor failed to enroll the additional value attributable to the perennial crop. Upon a sale, we also found several parcels with respect to which the assessor did not allocate or enroll the value of existing asparagus to the land.

Rule 124 provides that asparagus is to be classified as land. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, page I-65, provides that asparagus is a perennial plant with an economic life of approximately 10 years. While the value of asparagus should appear on the tax roll as land, its separate value should also be identified so that proper consideration is given for recapture of the plant investment.

We recommend the assessor enroll newly planted perennial crops as land.

RECOMMENDATION 8: Do not extend the exemption period for trees and vines beyond the period provided by law.

We found the assessor occasionally grants an extra year of exemption for trees and vines. In some cases, trees were given an extra year of exemption because of their "small size," without determining if the trees had been replanted. If the small tree size was due to replanting, the trees should be given a new exemption period, beginning from the year of replanting. Otherwise, they should be enrolled upon expiration of the exemption period set forth in article XIII, section 3(i), of the California Constitution. Should the assessor decide to recognize the reduced value of "small trees," he could adjust market value indicators for trees of average size.

The exemption granted pursuant to the law cited above ceases on the fifth lien date after the season of planting trees in orchard form. We recommend that the assessor apply the proper exemption period for trees and vines.

The assessor's tracking system for newly planted trees and vines and the corresponding exemption periods consists of stapling a small tag to the top of the parcel record file and then storing these files in a separate filing cabinet. There is no backup system should the tags become dislodged or the files misplaced. If the tags become dislodged or the files are misplaced, no other mechanism will trigger the enrollment of the trees or vines upon expiration of the exemption period.

To ensure the proper enrollment of trees and vines, we suggest that the assessor develop a computerized tracking system for trees and vines or a computerized backup system for tracking these files.

Taxable Government-Owned Property

Article XIII, section 3(b) of the California Constitution exempts from property taxation any property owned by local governments, except as provided in section 11(a). Section 11(a) provides that land, and the improvements thereon, located outside an agency's boundaries, are taxable if the property was taxable at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as "Section 11" properties.

There are five Section 11 parcels in Imperial County; all are being assessed correctly.

Taxable Possessory Interests

A taxable possessory interest exists when a private right to exclusive use and possession is created in government-owned real property. Section 107 and rule 20(a) define a taxable possessory interest as an interest in real property which exists as a result of possession, exclusive use, or a right to possession or exclusive use of land and/or improvements unaccompanied by ownership of a fee simple or life estate in nontaxable, publicly owned real property. The assessor is responsible for identifying the existence of taxable possessory interests and valuing those possessory interests upon their creation, change in ownership, and upon the construction of new improvements on the property.

RECOMMENDATION 9: Do not reappraise a taxable possessory interest based on a renewal or extension until the end of the reasonably anticipated term of possession used to value that possessory interest, as required by section 61.

We found the assessor annually reappraises possessory interests with month-to-month or annual contract terms, while also using a longer term of possession in the valuation process. Most of the properties affected by this practice were airplane hangars and tie-downs located at the Imperial County Airport, Calxico International Airport, and Brawley Airport (annual valuation with three-year term).

Section 61(b)(2) was revised effective January 1, 1997. That section provides that any "renewal" or "extension" of a possessory interest during the reasonably anticipated term of possession used by the assessor to value that possessory interest does not cause a change in ownership until the end of the

reasonably anticipated term of possession used to value that interest. Consequently, the assessor should not annually reappraise these possessory interests.

We recommend the assessor reappraise possessory interests only upon a change in ownership or upon the expiration of the reasonably anticipated term of possession used to value those interests.

RECOMMENDATION 10: Develop written procedures for the possessory interest assessment program.

We found that there are insufficient written procedures for the appraisal of possessory interests. While the assessor uses resources obtained from the BOE's Course 9, Assessment of Possessory Interests, there are no formal written procedures specifically applicable to the possessory interest assessment program in Imperial County.

Written procedures are necessary to maintain continuity and consistency in the valuation of possessory interests. Although we found the current program well organized, written procedures would ensure that the quality of the possessory interest assessment program would be maintained in the event of a change in appraisal staff or reassignments.

We recommend the assessor develop written procedures for his possessory interest assessment program.

Tenant Improvements

Commercial, industrial, and other income-producing properties require constant monitoring by assessors; first-time tenants and changes in tenants often result in assessable new construction in the form of new tenant improvements. Tenant improvements may be properly classified as either structures or fixtures.

When new construction by a tenant adds value to a property, the assessor should review those changes and reflect them in the property's assessed value. Attempts to discover this form of new construction include identifying tenant improvement construction permits, sending new construction questionnaires to tenants, examining rent rolls for tenant and rent changes, and coordinating between the business property and real property divisions. The business property statement, an annual filing requirement of many business owners, is also a useful source for discovering tenant improvements.

We reviewed a number of business property statements and real property assessment records containing tenant improvements for (1) reported costs and descriptions, (2) proper identification of tenant improvements, (3) coordination between the business property division and the real property division to ensure proper assessment, and (4) possible double assessments or escape assessments. We found that items reported on the business property statements pertaining to real property were properly transmitted to the real property division. Of the properties reviewed, no significant problems relating to the assessment of tenant improvements were found. We found that the lines of communication between the business property and real property divisions are effective with respect to tenant improvements.

Mining Property

Imperial County has several gold mines, including some that are in their final stages of operation. The economic mineral reserves of these mines have been depleted, and the mines have begun reclamation operations. Another prospective mine has begun the permit acquisition process.

When enrolling mining property, the assessor does not segregate the values of leach pads, tailing facilities, and settling ponds from the assessed value of the mines.

RECOMMENDATION 11: Enroll leach pads, tailing facilities, and settling ponds as separate appraisal units as required by law.

Section 53.5 requires the assessor to enroll leach pads, tailing facilities, and settling ponds as separate appraisal units. We found that the assessor has not established separate appraisal units for leach pads, tailing facilities, and settling ponds that have not yet been reclaimed, despite the requirements of section 53.5.

We recommend the assessor enroll leach pads, tailing facilities, and settling ponds as separate appraisal units. Should the prospective mine receive final approval, the assessor should also reallocate the values of its leach pads, tailing facilities, and settling ponds into separate appraisal units.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's business property division annually processes more than 4,000 business property statements, with a total assessed value of approximately \$763 million. This division also assesses over 1,600 vessels, with assessed values of approximately \$5.2 million, and 136 aircraft with assessed values of nearly \$11 million. The business property division staff consists of one supervising auditor-appraiser, two auditor-appraisers, and a business property clerk.

Business Property Statement Processing

Section 441 requires every person owning taxable personal property—other than a manufactured home—with an aggregate cost of \$100,000 or more for any assessment year, to file a signed business property statement (BPS) with the assessor. Section 441 also provides that every person owning personal property that does not require the filing of a property statement shall, upon request of the assessor, file a property statement. If a taxpayer fails to file a property statement and to respond to a section 470(a) business records request, section 501 requires the assessor to estimate the value of taxable property based on information in the assessor's possession. Most business property assessments are based on the data submitted by taxpayers on their annual business property statements. Accurate assessments depend on the accuracy of the data reported on the BPSs.

During our current survey, we interviewed the assessor's staff, reviewed the assessor's business property statement processing program, and sampled business property statements processed by the assessor. We found that the assessor's program correctly processes these statements. However, we discovered one area of concern in the assessor's direct billing program.

Direct Billing

Many California assessors utilize an assessment procedure called "direct billing" or "direct assessment." It is a method of assessing certain qualified low-value business accounts without requiring the annual filing of a business property statement. An initial value is established and continued for a few years, requiring only periodic property statement filings or field reviews. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, coin-operated laundrettes, small cafes and restaurants, and professional firms with small equipment holdings.

The direct assessment procedure is beneficial to the taxpayers and the assessor. Direct assessment streamlines filing requirements, reduces the amount of paperwork for small businesses, and reduces the number of property statements that must be processed by the assessor. The assessor has maintained a direct billing program since our last assessment practices survey.

RECOMMENDATION 12: Review accounts in the current direct billing program and include only those accounts that have historically reported stable values in the program.

We reviewed 20 accounts in the assessor's direct billing program. We found two accounts with assessed values over \$100,000 that should not have been included in the assessor's program—these accounts require annual property statements pursuant to section 441. We also found seven accounts that had not been reviewed within the last four years to determine whether or not they should remain direct billing accounts.

Through interviews of the assessor's staff, we also found that the assessor has no firmly established standards to determine whether an assessee qualifies for participation in the direct billing program.

Direct enrollment programs work well when assessees historically report costs that are stable from one year to the next. However, when reported costs fluctuate widely from one year to another, no one year can be considered "typical." These assessees are poor candidates for participation in a direct billing program.

We recommend the assessor review his direct billing program and that he set standards for determining whether an assessee qualifies for that program.

Audit Program

The audit program is one of the most important functions of the business property assessment program. The objective of an audit program is to ensure proper reporting on the business property statement, and to resolve any problem accounts discovered throughout the year.

The auditor-appraisers' duties include identifying potential audits, performing audits, and initiating roll changes. In addition, they also process annual property statements, correspond with taxpayers, and prepare a defense for all business property assessment appeals. The assessor also participates in the California Counties Cooperative Audit Services Exchange (CCCASE) to help meet his audit workload.

Mandatory Audits

Section 469 and rule 192 require an audit of the books and records of a business at least once every four years, when locally assessable trade fixtures and tangible personal property have a full value of \$300,000 or more for four consecutive years.³ Each year, the assessor generates a computer listing of accounts having assessed values over that threshold for four consecutive years. This report forms the basis for determining the mandatory audit workload that year.

³ Section 469 was amended to increase the value threshold to \$400,000 for the 2001 lien date.

RECOMMENDATION 13: Bring the mandatory audit program to current status.

We found that the assessor did not complete all of his 1999 mandatory audits. The business property division had approximately 64 mandatory audits scheduled for 1999 and 69 mandatory audits scheduled for 2000, with an average of 22 audits per auditor per year. For the audit year 1999, we found 19 uncompleted audits.

The mandatory audit program verifies the reporting on the largest business property accounts and forestalls any potentially large assessment errors. However, the further removed the audit is from the year being audited, the more difficult it is to obtain the necessary records.

We recommend the assessor bring his mandatory audit program to current status.

Statute of Limitations

Section 532 provides that an escape assessment found during an audit shall be made within four years after July 1 of the assessment year in which the property escaped assessment or was under assessed. If the assessor cannot complete the mandatory audit within the prescribed time, the assessor may ask the taxpayer to grant an extension of time. This can be accomplished by having the taxpayer sign a waiver of the statute of limitations, as authorized by section 532.1.

RECOMMENDATION 14: Prioritize those mandatory audit accounts where the property owners refuse to sign waivers of the statute of limitations.

The assessor sends a waiver to taxpayers when he anticipates that a mandatory audit will not be completed on time. However, when a taxpayer declines to return or does not return the signed waiver, the assessor takes no action.

The mandatory audit program verifies the reporting on the largest business property accounts and forestalls any potentially large assessment errors. Failing to perform mandatory audits permits potentially large assessment errors to persist from year to year. The further removed the audit is from the year being audited, the more difficult it is to obtain the necessary records.

We recommend the assessor prioritize the audits of mandatory audit accounts where the property owners refuse to sign waivers of the statute of limitations.

Nonmandatory Audit Program

Although the assessor is not under any statutory obligation to audit smaller businesses, no auditing program is complete unless it includes a representative sampling of all sizes and types of accounts.

RECOMMENDATION 15: Expand the nonmandatory audit program to include chronic nonfiling taxpayers and other businesses.

The assessor performed approximately 50 nonmandatory audits in 1999. These nonmandatory audits were completed mainly to resolve valuation problems such as taxpayer complaints or substantial value differences in two consecutive reporting years. While performing nonmandatory audits is important, the focus should not be limited to taxpayer complaints and discrepancies. The program should include chronic nonfilers of property statements and a random sampling of all business accounts. It should also target those accounts with the greatest potential for reporting errors. We recommend the assessor expand his nonmandatory audit program.

Business Property Valuation

Assessors generally use valuation factors that are produced by combining price index factors with percent good factors for machinery and equipment. Accurate assessments of equipment depend on the proper choice and application of these factors. The BOE has developed annual equipment index factors and percent good factors to assist assessors. These are published in BOE's Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

AH 581 contains index factors for 12 categories of commercial equipment and six categories of industrial equipment. The percent good factors are set forth in two tables, one for machinery and equipment, and one for agricultural and mobile construction equipment. The percent good factors for agricultural and construction equipment are provided for both new and used equipment.

RECOMMENDATION 16: Use the appropriate percent good factors for new and used agricultural equipment.

While the assessor uses the percent good factors published in AH 581, Tables 4 and 5, to calculate valuation factors for agricultural equipment, he averages the percent good factors from Table 5 for new and used equipment to compute the RCNLD for harvesters, agricultural mobile equipment (non-harvesters), and construction equipment. Two columns of percent good figures, "New" and "Used," are listed for each type of equipment in AH 581, Table 5. Accurate assessments depend on the proper choice and application of these tables. Averaging "New" and "Used" categories again sacrifices accuracy for convenience. Some equipment may be over-assessed and some may be under-assessed.

We recommend the assessor select the appropriate percent good factors for new and used equipment.

Computer Valuation

In order to promote uniformity in appraisal practices and assessed values, and comply with the requirements of section 401.5, the BOE issues valuation factors for computer equipment. The assessor uses AH 581, Table 6, computer valuation factors for the category of personal computers (\$25,000 or less). If companies report mid-range or mainframe computers, the assessor calculates those values manually. Very few accounts in Imperial County report mid-range or mainframe computers.

We found that the assessor correctly values computers.

Leased Equipment

One of the responsibilities of the assessor's business property division is the discovery and assessment of leased equipment. The assessor uses several discovery tools, including BOE sales tax permits, field visits by real property appraisers, cross-references of leased equipment reported on property statements filed by leasing companies, the yellow pages, business license reports, and rental equipment listings. We found that the assessor has a satisfactory leased equipment discovery program.

Manufactured Homes

A manufactured home is subject to local property taxes if it was first sold new on or after July 1, 1980, or the owner has requested a conversion to local property tax. Most conversions from vehicle license fees occur when a manufactured home is sold, because sales and use tax are not charged when a manufactured home is subject to local assessment. If the manufactured home is the owner's primary residence, conversion also allows an owner to qualify for the homeowners' exemption.

Manufactured homes should be classified as personal property. Although the assessor should classify manufactured homes as personal property, their assessment—in most respects—falls within the same standards as real property subject to article XIII A.

There were approximately 6,150 manufactured homes on the 2000 assessment roll. Slightly over one-third of these homes are situated on leased or rented lands. Because several of the assessor's property appraisers are relatively new, the valuation of manufactured homes is currently the responsibility of two more-experienced appraisers. One of these appraisers values all manufactured homes located in urban areas, while the other is responsible for valuing such homes in rural areas.

The assessor's primary source for discovering new manufactured homes and changes in manufactured home ownership is the list of new registrations provided periodically by the state Department of Housing and Community Development. The assessor discovers new construction primarily through copies of building permits forwarded from the various building departments.

RECOMMENDATION 17: Annually review manufactured home values to identify declines in value.

The assessor does not review the market values of manufactured homes on a regular basis and some manufactured homes have not been reviewed since the 1980s. We found that these homes—and a significant number of other manufactured homes—were overassessed when we compared their assessed values against the values indicated by the *Kelley Blue Book*.

Section 5813 requires the assessor to value a manufactured home at the lesser of its factored base year value or its full cash value, taking into consideration any reductions in value due to damage, depreciation, or any other factors causing a decline in value, for each lien date after the lien date for

which the base year value was determined. Reviewing manufactured home assessments annually will enable the assessor to accurately reflect the depreciation experienced by manufactured homes.

We recommend that the assessor annually review the market values of manufactured homes.

Special Assessments

Section 3972 provides that a special assessment is any assessment levied pursuant to any of the improvement acts of the State of California, whether or not represented by a bond, which is a lien upon a specific parcel of real property. Section 5801(b) provides that manufactured homes shall not be classified as real property and, consequently, are not subject to special assessments.

In Imperial County, bonds and special assessments such as a "Solid Waste Land Use Fee" and a "Mosquito Abatement Service Fee" are included on the tax bills of manufactured homes located on rented or leased land. Discussions with the assessor, auditor-controller, and county administrator offices could not pinpoint the cause for these inappropriate assessments.

The assessor sends each special assessment district a list of properties within that special assessment district. Each district determines the revenues it needs, levies assessments against each property in that district to raise that revenue, and forwards a list of those properties—with the levies—to the auditor-controller, who then computes the taxes due.

All of the incorrectly billed manufactured homes have account numbers beginning with "500." Apparently this coding is not sufficient to alert the special districts that these homes should be treated as personal property. As a result, we suggest that the assessor coordinate efforts with the special assessment districts and, if necessary, the county auditor-controller to ensure that manufactured homes are not subject to improvement bonds and other special assessments.

Apartment Personal Property

We reviewed appraisals of apartment complexes that range up to 40 units. The assessor uses the taxpayers' reported costs as the basis for assessments of apartment personal property when such costs are available. If these costs are not available, either prior reported costs or appraisal judgment is used.

RECOMMENDATION 18: Improve the coordination of apartment personal property assessments between the real property and business property divisions.

While it is the assessor's policy to coordinate the assessment of apartment personal property between his real property and business property divisions, we found potential weaknesses in that coordination. We found one instance where a taxpayer's reported personal property costs were included as real property and another instance where the personal property was double assessed.

To prevent misclassification and double assessments, we recommend the assessor improve the coordination of apartment personal property assessments between his real property and business property divisions.

Aircraft

Imperial County has 136 aircraft on the assessment roll. Three of those aircraft have received the historic aircraft exemption.

The assessor used the *Aircraft Bluebook Price Digest* to value aircraft for the 2000 lien date. The assessor sends a questionnaire to the manager of each airfield to discover aircraft domiciled in Imperial County. To request the information necessary for aircraft assessments, the assessor mails an annual "Aircraft Statement" to aircraft owners. Once this information is received, the assessor uses the published pricing guide and makes adjustments for airframe hours, avionics, hours since major overhaul, sales tax, and condition. The assessor also reduces listed retail values by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date, as stated in LTA 97/03.

We reviewed 12 aircraft assessments and found that the assessor has an effective general aircraft assessment program.

Historical Aircraft

Section 220.5 provides that aircraft of historical significance shall be exempt from taxation only if all of the conditions set forth in section 220.5(b) are met. One of the conditions is that the aircraft is available for display to the public at least 12 days during the 12-month period immediately proceeding the lien date for the year in which the exemption is claimed.

Pursuant to section 220.5(c), when an owner claims an exemption, the claimant shall provide all information required and answer all questions contained in an affidavit furnished by the assessor. The claimant shall sign and swear to the accuracy of the contents of the affidavit before either a notary public or the assessor or his or her designee, at the claimant's option. The assessor may require additional proof of the information or answers provided in the affidavit before allowing the exemption.

RECOMMENDATION 19: Review the exemption status of historical aircraft.

Three historical aircraft in Imperial County received the historical aircraft exemption for the 2000 lien date. Of the three aircraft, two received improper continuations of exempt status. One aircraft no longer met the requirements of section 220.5(b). The assessor corrected the problem upon inquiry by the survey team. A second aircraft did not have an exemption form on file for the lien date. Although the third exemption form was completed, it was not date-stamped. We recommend the assessor review the exemption status of historical aircraft annually to ensure compliance with section 220.5.

Vessels

The assessor enrolled more than 1,600 vessels on the 2000 assessment roll, with a total assessed value of approximately \$5.2 million. There are no marinas or commercial vessels in Imperial County. The primary discovery sources used by the assessor are Department of Motor Vehicle (DMV) reports and referrals from other counties.

To assist with the valuation process, the assessor sends all vessel owners an annual combination vessel statement and questionnaire. When returned, these forms are arrayed by assessment year and boat identification number. The assessor also receives registration cards from the Department of Motor Vehicles (DMV). Upon receipt of a DMV registration card, the assessor sends BOE form 576-D to the vessel owner requesting information necessary for proper assessment.

If the reported purchase price is within range of retail values found in *ABOS Marine Blue Book (ABOS)*, the assessor enrolls the purchase price on the unsecured roll. On the other hand, if the purchase price deviates from the values listed in *ABOS*, then the assessor investigates the condition of the vessel and the sale transaction.

The assessor conducts an annual vessel depreciation study using *ABOS*. He draws a representative sample of the vessel population within Imperial County. Based on that population, the assessor divides vessels into six categories: Inboard, Personal Watercraft, Outboard, Pontoon, Sailboat, and Hand-Propelled. These depreciation factors are placed into the assessor's computer program to calculate assessed values for the 1,600 vessels located in the county. Vessels with values below \$400 are not assessed, pursuant to section 228.

We found that the assessor has an effective vessel assessment program.

APPENDICES

A. County Property Tax Division Survey Group

Imperial County Assessment Practices Survey

Chief, County Property Tax Division

Charles Knudsen

Survey Program Director

Gene Palmer

Principal Property Appraiser

Survey Team Supervisor

Michael Lebeau

Principal Property Appraiser

Survey Team Leader

John Corum

Senior Specialist Property Auditor-Appraiser

Survey Team

Jim McCarthy

Senior Petroleum and Mining Appraisal Engineer

Robert Donay

Associate Property Appraiser

Larry Gee

Associate Property Auditor-Appraiser

Wes Hill

Associate Property Appraiser

Mark Minor

Assistant Property Auditor-Appraiser

Raymond Tsang

Associate Property Auditor-Appraiser

David Yeung

Associate Property Appraiser

Kathleen Trotto

Junior Property Appraiser

Delia Garcia

Tax Technician II

B. Assessment Sampling Program

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing⁴ activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The BOE, in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the BOE's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The BOE's County Property Tax Division (CPTD) conducts the assessment sampling program on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

1. A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.
2. These assessments are stratified into 18 value strata (nine secured and nine unsecured.)⁵
3. From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.
4. For purposes of analysis, the items will be identified and placed into one five categories after the sample is drawn:
 - a) **Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

⁴ The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

⁵ The nine value strata are \$1 to \$99,999; \$100,000 to \$199,999; \$200,000 to \$499,999; \$500,000 to \$999,999; \$1,000,000 to \$1,999,999; \$2,000,000 to \$19,999,999; \$20,000,000 to \$99,999,999; \$100,000,000 to \$249,999,999; and \$250,000,000 and over.

- b) **Transferred properties.** Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.
 - c) **New construction.** Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.
 - d) **Non-Proposition 13 properties.** Those properties not subject to the value restrictions of Article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, timber preserve property, and taxable government-owned property.
 - e) **Unsecured properties.** Those properties on the unsecured roll.
5. From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation that is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, i.e., the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. "Expanding" the sample data eliminates this apparent distortion in the raw sampling; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.
6. The field investigation objectives are somewhat different in each category, for example:
- a) **Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? was there a change in ownership? was there new construction? or was there a decline in value?

- b) **Transferred properties** -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? do we concur with the county assessor's new value? was the base year value trended forward (for the allowed inflation adjustment)? was there a subsequent ownership change? was there subsequent new construction? was there a decline in value?
 - c) **New construction** -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? do we concur with the value enrolled? was the base year amount trended forward properly (for the allowed inflation adjustment)? was there subsequent new construction? or was there a decline in value?
 - d) **Non-Prop 13 properties** -- for properties not covered by the value restrictions of Article XIII A, or those properties that have a unique treatment do we concur with the amount enrolled?
 - e) **Unsecured properties** -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?
7. The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.
 8. The results of the sample are then expanded as described in (5) above. The expanded results are summarized according to the five assessment categories and by property type and are made available to the assessment practices survey team prior to the commencement of the survey.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the County Property Tax Division. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.

C. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made .

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code**75.60. Allocation for administration.**

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
 - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
 - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations**Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
 - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems .

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
 - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
 - (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:
 - (1) Uniformity of treatment for all classes of property.
 - (2) Discovering and assessing newly constructed property.
 - (3) Discovering and assessing real property that has undergone a change in ownership.
 - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
 - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
 - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The survey report, the assessor's response, if any, and BOE comments on the assessor's response, if any, constitute the final survey report.

The Imperial County Assessor's response begins on the next page. The CPTD staff has no comments on the response.

JOSE M. RODRIGUEZ, JR.
ASSESSOR

ROY D. BUCKNER
ASSISTANT ASSESSOR



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August 7, 2001

RECEIVED

AUG 8 0 2001

State Board of Equalization
Property Tax Department
P.O. Box 942879
Sacramento, CA 94279-0062

County Property Tax Division
State Board of Equalization

Re: Imperial County Assessment Practices Survey

Attn: Mr. Richard C. Johnson, Deputy Director

Dear Mr. Johnson:

Pursuant to Section 15645 of the California Government Code, the enclosed is our response to the Board Assessment Practices Survey of our office and its twenty recommendations and requests its inclusion with the final survey publication.

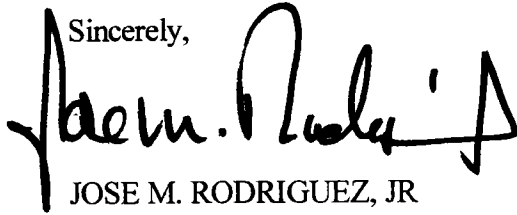
In reviewing the survey report, State Board of Equalization (Board) makes several supporting statements of various assessment practices and procedures that are consistent with SBE standards. Also, in this report the Board recognizes that this office **"experiencing nearly 100 percent turnover of his appraisal staff – and a 25 percent turnover of his clerical staff – the assessor has managed to produce recent assessment rolls timely despite heavy staff turnover over the last two years."** I recognized that these past years have been somewhat difficult and commend our office personnel for their dedication, professionalism, excellent work and their commitment in serving our community.

Although we are in agreement with the majority of the Board's recommendations, there are some in which we feel our current practices are in compliance and practical.

We would like to express our sincere appreciation for the professional and courteous manner in which the Board's Survey Crew conducted themselves while surveying the office, interviewing our staff and for their field review of our assessments. We regard the survey process as a very important function of the Board and welcome their helpful recommendations to guide us in our continuing efforts in providing fair and accurate assessment to the taxpayers of Imperial County.

Our final observation is that our goal will always be to provide accurate, timely and fair assessments while at the same time providing the highest level of benefit to our community and the taxpayers we serve.

Sincerely,

A handwritten signature in black ink, appearing to read "Jose M. Rodriguez, Jr.", written in a cursive style.

JOSE M. RODRIGUEZ, JR
Imperial County Assessor

Enclosure (1)

IMPERIAL COUNTY ASSESSOR

Response to State Board of Equalization Assessment Practices Survey August 2001

RECOMMENDATION 1: Limit disaster relief to no more than the value of the actual damage pursuant to section 170(b)

RESPONSE: Our Disaster Relief procedures are currently being re-written to make sure that our relief is in compliance with section 170(b). Copies will be given to each Supervising Appraiser and Appraiser to ensure compliance.

RECOMMENDATION 2: Revise the disaster relief notice to include the information required by section 170(c)

RESPONSE: We are in the process in complying with this recommendation.

RECOMMENDATION 3: When processing disaster relief claims, include the month of damage when calculating the new assessed value, as required by section 170(e)

RESPONSE: As noted in our response to Recommendation No. 1, we are in the process in re-writing our disaster relief procedures. Included in these procedures will be a sample worksheet, which will contain the date of the calamity.

RECOMMENDATION 4: Develop and implement a written policy for making cash equivalent adjustments.

RESPONSE: Every appraiser has at his/her desk a copy of the AH 503 Cash Equivalent Analysis Manual. Our goal is to condense this manual into a more useable daily policy procedures and integrating it into our appraisal manual.

RECOMMENDATION 5: Develop written procedures for the decline-in-value program.

RESPONSE: Our goal is to develop a fully automated decline-in-value review program. The application will identify the decline in value properties for their annual review and will permit the appraiser to make online value changes after a supervising appraisers review. This program will have a written policy and procedures manual.

RECOMMENDATION 6: Annually review all parcels that have experienced a decline in value, as required by section 51.

RESPONSE: As mentioned in this survey our office has experienced a high appraiser turnover. This has prevented us from maintaining the required decline in value annual reviews of property assessments. As stated in our response to Recommendation 5, our objective is to develop an automated decline in value program, eliminating the current situation.

RECOMMENDATION 7: Enroll and classify perennial crops as land.

RESPONSE: The Board in their preliminary Assessment Practice Survey Reports dating back to the 70's has, previously addressed the subject of treating asparagus as a perennial crop and its assessment as part of the land value. Our contention then and now continues to be that the asparagus crop does not attribute additional value to the land. We recognize that Rule 123 (b) identifies and classifies the asparagus crop as being part of the land value. Paragraph (a) states in short **"For the specific items listed, the classification shown will be followed unless there are persuasive distinguishing facts which warrants other classification"**. This crop in Imperial County has a growing productive life between 5 to 8 years with the majority being in the 5-year range. Asparagus in Imperial County are subject to extreme climate conditions, pests, diseases and economic uncertainty. In interviewing the local growers, their comments are that this crop is economically a very volatile crop, labor intense and subject to year round competition from Mexico and South America. Where ours has a limited productive and marketing season from mid January to mid April. Our ongoing sale analyses of these properties conclude a wide disparity range of values. Therefore, our position will continue to be in not assessing the asparagus crop and will continue to monitor the market for any potential changes. We appreciate the Board's concern and recommendations.

RECOMMENADATION 8: Do not extend the exemption period for trees and vines beyond the period provided by law.

RESPONSE: The assessor parcels/assessments the Board makes reference to in this survey are not the result of extending the exemption period to those selected trees. Rather the case in assessing them as replants. We believe this information was not properly communicated with the Board and our records were not clear in identifying the appropriate information. We recognize and comply with Article XIII, section 3(i), of the California Constitution. To avoid this misunderstanding in future years we will make every effort to properly document all pertinent data on our records.

RECOMMENDATION 9: Do not reappraise taxable possessory interest based on a renewal possession used to value that possessory interest, as required by or extension until the end of the reasonably anticipated term of section 61.

RESPONSE: We have so instructed our appraisal staff and are in the process of incorporating this into our new policy/procedure manual.

RECOMMENDATION 10: Develop written procedures for the possessory interest assessment program.

RESPONSE: We are in the process in doing this.

RECOMMENDATION 11: Enroll leach pads, tailing facilities, and settling ponds as separate appraisal units.

RESPONSE: The remaining gold mining facility in Imperial County is in the process of closing all of their operations by 2002. At this point we will continue with our current practice and will act in accordance with the Boards recommendation upon the assessment of a new mining operation.

RECOMMENDATION 12: Review accounts in the current direct billing program and include only those that have historically reporting stable value in the program.

RESPONSE: Our proposed policy and project for the direct billing program is to identify as many accounts of less than \$100,000 of assessed value that have a good and accurate history of filing their annual 571 Business Property Statements. We will also include in this program all accounts with arbitrary assessments. Furthermore, this policy will read that all accounts in the direct billing program shall be field reviewed/audited within 4 years.

RECOMMENDATION 13: Bring the mandatory audit program to current status.

RESPONSE: This past year (2000-01) we participated for the first time in the AB 719 Property Tax Administration Program (PTA), completing 16 additional mandatory audits. Our goal is to continue working the backlog of mandatory audits under this program. The office policy and procedures will also emphasize that every mandatory account that is not complete within the prescribed time, that we obtain from the taxpayer a signed waiver pursuant to section 532.1

RECOMMENDATION 14: Prioritize those mandatory audits accounts where the property owners refuse to sign waivers of the statute of limitation.

RESPONSE: We concur and will incorporate with this recommendation in our procedures manual insuring a better tracking system.

RECOMMENDATION 15: Expand the non-mandatory audit program to include chronic non-filing taxpayers and other businesses.

RESPONSE: This past year we worked an additional 46 non-mandatory audits under the PTA Program. We have developed a system where the auditor appraisers identify and compile a list of the accounts that meet the criteria for a non-mandatory audit. The criterion includes chronic non-filers, taxpayer's complaints, and substantial fluctuation in reporting cost and random samplings. Our goal is to continue working non-mandatory audits under the PTA Program and increasing the number of audits as time permits.

RECOMMENDATION 16: Use the BOE's index factors as intended.

RESPONSE: Our plans are to continue with our current practice in combining index factors. Other assessors throughout the state commonly use this practice. This is done to simplify and increase the productivity of business properties assessment with a negligible consequence to the assessment and its accuracy.

RECOMMENDATION 17: Use the appropriate percent good factors for new and used agricultural equipment.

RESPONSE: We agree and will implement the board's recommendation.

RECOMMENDATION 18: Annually review manufactured home values to identify decline in value.

RESPONSE: We have purchased and started using the National Automobile Dealers Association (N.A.D.A) computerized Manufactured Housing Appraisal Guide, as a tool to compare our assessments for possible declines in value. In addition, we have taken the Board's suggestion and have advised the Auditor-Controllers Office that manufactured homes are classified as personal property and are not subject to special assessments.

RECOMMENDATION 19: Improve the coordination of apartment personal property assessments between the real property and business property division.

RESPONSE: Regardless of system we implement, we are still human and are bound to make mistakes. I believe our current communication and coordinating efforts between these sections are well established. But, will make every effort to improve.

RECOMMENDATION 20: Review the exemption status of historical aircraft.

RESPONSE: We agree and will ensure compliance of section 220.5 having current exemption forms in file.